

## Finance Committee Hotel-Motel Tax Working Group Final Report

The Chatham Finance Committee Hotel-Motel Tax Working Group (Dean Nicastro, group leader; Roslyn Coleman; John Whelan) met for a final time on April 23, 2015 to complete its work. The Group took four substantive votes, all unanimous (3-0), as follows:

1. The Working Group does not favor increasing the Hotel-Motel Tax from 4% to 6% at this time.
2. The Working Group does not favor extending the Hotel-Motel Tax to short-term rentals at this time.
3. The Working Group believes there is a need for Chatham to be promoted as a destination, and to encourage the Board of Selectmen and Town Manager to provide a greater amount of money for that purpose.
4. The Working Group recommends that the Town dedicate a portion of the revenues from the current Hotel-Motel Tax to promote Chatham and Chatham's unique cultural, educational, historic and economic resources, and to enhance the year-round economy and the general quality of life in Chatham.

### DISCUSSION:

The Working Group held five meetings, and invited input from various outside parties and the public: Rep. Peake's office, Brewster, Provincetown, Economic Development Committee, Summer Residents Advisory Committee, Chatham Chamber of Commerce, real estate rental community. We received oral and written input from various of these parties, as well as from Selectmen Summers and Seldin, Finance Director Alix Heilala, Community Development Director Deanna Ruffer, and Chatham residents Amy and Luther Bates. Three issues were examined: 1. Whether to increase the current H-M Tax of 4% to 6% (Town Meeting approval required); 2. Whether to extend the tax to short-term (less than 90 days) rentals (Town Meeting approval [home rule petition] and Massachusetts legislature approval required); 3. How to apply the additional revenues.

The Working Group discussed and considered multiple issues: additional revenues to the town; fairness to the lodging industry (incl. B&B's); impact on town tax levy from declining lodging room inventory; compliance & enforcement (staffing); inspections; assessing; owner-occupied rentals vs. pure rentals; impact of online realtor-free rentals; additional state tax or not; increased cost of rentals and "elasticity of demand"; dedication of additional revenues vs. general fund. Brewster, Eastham, Falmouth and Provincetown are currently proceeding with proposals to extend to short-term rentals. EDC Chair Shane Coughlin reported that his committee is

unanimously opposed to increasing the existing H-M tax from 4% to 6%; unanimously opposed to extending the H-M tax to short-term rentals; further, in the event that the Town elects to increase/expand the H-M tax, the EDC believes there should be a dollar for dollar reduction elsewhere in the tax levy, the tax revenue generated from the expansion should be 100% earmarked for enhancement or marketing of the tourism industry, and annually a formal accounting of implementation and administrative costs for comparison to actual revenues generated to determine the economic efficiency of the tax. The Chatham Chamber of Commerce is opposed to an increase in the current H-M tax, and has taken no position on extending it to short term rentals.

The Working Group took all these factors into consideration in reaching its conclusions. The Working Group also believes that subject should be open to revisiting in the future, and that waiting on the forthcoming experience of Chatham's sister Cape Cod towns, as they proceed with their efforts, may provide useful empirical information should the Town eventually wish to revisit the matter.